



# Memorandum

A C WHARTON, JR.- Mayor  
LAW DIVISION - City Attorney's Office  
HERMAN MORRIS, JR.-City Attorney

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**TO:** Memphis City Council

**FROM:** Felisa N. Cox, Senior Assistant City Attorney  
Andre C. Wharton, Staff City Attorney 

**DATE:** December 16, 2010

**RE:** Management Agreement by and between Memphis Cook Convention Center Commission (Board) and Memphis Convention and Visitor's Bureau (CVB) for the Management of the Memphis Cook Convention Center

The terms of the management agreement by and between Memphis Cook Convention Center Commission (hereinafter referred to as "Board") and Memphis Convention and Visitor's Bureau (hereinafter referred to as "CVB") are presented to the Memphis City Council for informational purposes.

Pursuant to Chapter 420 of the Tennessee Private Acts of 1917, as amended, Shelby County and the City of Memphis were authorized to erect, own, maintain, and operate an auditorium and public market house and authorized to establish a commission to operate and maintain the auditorium, the Memphis-Shelby County Convention Center Commission (as it came to be named in 1974).

Section 2-110 of the Memphis City Code provides for the establishment of the members of the Memphis-Shelby County Convention Center Commission and for the process to obtain private management as follows:

- A. There is established a Memphis and Shelby County convention center omission, which shall consist of seven regular members, four of which shall be appointed by the mayor of the city of Memphis, and three of which shall be appointed by the mayor of Shelby County. The commission shall likewise consist of five ex officio members, being:

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1. The mayor of the city, or his or her designee;
  2. The mayor of Shelby County, or his or her designee;
  3. The chairperson of the council of the city, or his or her designee, to serve in the interest of the economic development and tourism committee (or the successor committee);
  4. The chairperson of the board of county commissioners, or his or her designee;
  5. The chairperson of the public service and tourism committee (or the successor committee) of the board of county commissioners, or his or her designee.
- B. The terms of office of the members shall be for a period of two years, beginning July 1st annually. The members shall operate, manage, control, regulate, and care for the convention center, but without compensation.

The members of the commission shall each give bond in the amount of five thousand dollars (\$5,000.00) to the state of Tennessee, for the use and benefit of the county of Shelby and the city of Memphis, conditioned on faithful performance of their duties as such commissioned. The expenses of such bonds to be paid from the revenues from the convention center, as a part of the operating expenses thereof. Ex officio members shall at all time have the right to vote, but shall give no bond. Successors to the citizen members shall be appointed from time to time as vacancies may occur either by the mayor of Memphis or mayor of Shelby County, according to original appointment.

- C. Any contract to be entered into by the commission in connection with their authority to operate and maintain the building which attempts in any manner to allow a separate entity or individual to manage or operate the auditorium or any ancillary activities thereto shall first be subject to approval of the county of Shelby, under its normal contracting procedures and approval of the city under its normal contracting procedures.

The County Commission by similar Ordinance No. 220 adopted and approved as of June 9, 2000, the same requirements for Shelby County.

The Memphis Cook Convention Center has been managed by a private company, Spectacor Management Group (hereinafter "SMG"), since 1992. SMG's management is scheduled to end Dec. 31, 2010. CVB was selected by the Board to manage the facility as a result of an RFP issued on October 5, 2010.

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The contract between the parties allows for a three (3) year contract with two (2) one year options to renew. The compensation for the management of operations services performed by CVB will be a fixed fee of \$12,000 per month for the initial six months; a one (1) time incentive fee at the sixth month period after successful transition of all operations at the discretion of Board in the amount of \$28,000; fixed monthly fee of \$10,416.67 after the six (6) month period, and reimbursement of expenses after approval by Board. The contract also provides for a ninety (90) day termination for convenience clause.

Pursuant to the Article III, Section 3.03 N of the Shelby County Charter, all contracts with an amount to total or exceed \$100,000 are to be approved by the Shelby County Commission. Pursuant to Section CA-030 of the County's Purchasing Policies and Procedures, any contract which allows for expenditures in more than one fiscal year requires approval of the County Commission.

City of Memphis' contracting procedures do not require approval by City Council of this contract. The previous management agreements entered into by Board and SMG have not required approval by the Memphis City Council. This measure is for informational purposes only.

If you should require additional information, please do not hesitate to contact the City Attorney's Office.

Attachment: Presentation Packet

c. A C Wharton, Jr., Mayor  
Herman Morris, Jr. City Attorney  
George Little, CAO



MEMPHIS COOK CONVENTION CENTER

CONTRACT REVIEW COMMITTEE

RATIONALE FOR SELECTION OF

MEMPHIS CONVENTION AND VISITORS BUREAU

DECEMBER 2010

## **1. SELECTION PROCESS**

- a. Request for proposals were sent to 6 management companies**
  - **Memphis Convention and Visitors Bureau**
  - **Marriott**
  - **SMG**
  - **Global**
  - **ARAMARK**
  - **Delaware North**
  
- b. Proposals were received from MCVB, SMG and Global. Marriott and ARAMARK formally declined to participate**
  
- c. Scoring was based on a review of written responses and oral presentations by MCVB, SMG and Global**
  
- d. Final ranking was MCVB, Global, SMG**

## **2. FINANCIAL REASONS**

- a. Base fee of \$125,000 for MCVB vs. SMG and Global at \$144,000**
- b. No incentive fee for MCVB vs. incentive for SMG and Global that possibly could double the fee**
- c. MCVB will pay \$140,000 for software which will be proprietary to and owned by the MCCC ; current software owned by SMG and would be removed when SMG ceases management**
- d. MCCC does not pay for travel of corporate executives of a national company**

### **3. MANAGEMENT REASONS**

- a. Locally managed by Memphians passionate about the convention industry**
- b. One company, seamless operation; eliminates potential conflict and enhances relationship with meeting planners**
- c. Eliminates calendar issues of MCVB controlling 14 months and out - MCCC controlling 14 months or less**

#### **4. SIX MONTH TRANSITION WITH SMG**

- a. Management fee for the 6 month transition period is \$12,000 per month. On July 1<sup>st</sup> the management fee is reduced to \$10,416 per month**
- b. If transition is successful MCVB receives \$28,000 bonus. The Board has the discretion to approve this payment**
- c. Net cost of the transition from SMG to MCVB is \$37,500**

## **5. PERSONNEL ISSUES**

**Part of the agreement with SMG following the transition period includes the release from employment restriction for specific executives at the MCCC; current personnel of the MCCC could be hired, without penalty, by the MCVB on July 1, 2011**

**6. MCCC Board deals with a local company versus a national company  
located in another city**

## **7. SALES AND MARKETING**

**MCCC wants the MCVB selling Memphis against Nashville and other competitive markets; someone local will be more knowledgeable and aggressive than a national company operating facilities in many other cities**

## **8. HOTEL ROOM TAX**

**Both the MCCC and MCVB share the benefits of the Memphis and Shelby County room tax revenue; combined operation creates a synergy benefit of the room taxes**

## **9. TERMINATION CLAUSE**

**MCVB has 90 day termination - if it is not working give them 90 days' notice and they are out; SMG and GLOBAL did not have a termination clause**